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12 August 1988
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MEMORANDUM FOR THE RECORD

SUBJECT: House Government Affairs, Subcommittee on Legislation and
National Security, Hearing on the Inspector General Act of 1978

1. On 4 August 1988 I attended a hearing chaired by Representative Jack Brooks on the effectiveness of the Inspector General Act of 1978, which created statutory Inspectors General in 12 departments and agencies. The Subcommittee was interested in how well the positions had maintained their independence and objectivity, the quality of their performance, and the problems they have encountered.

2. The GAO witness, Mr. Frederick D. Wolf, Director, Accounting and Financial Management Division, said they supported the establishment of a statutory IG at the CIA, and I have attached the relevant pages from his opening statement. In questioning Mr. Wolf, Representative Conyers said that there have been so many problems with CIA that GAO should continue supporting a statutory IG for the Agency. Conyers did not think security problems would be difficult to deal with, and there would be a greater opportunity for oversight by Congress since they will get the IG reports.

Office of Congressional Affairs

Attachment

OCA/SM/bsb 16 Aug 88

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is an approach which we believe should be continued for future vacancies.

Establishing Additional Statutory IGs

We have supported the establishment of additional statutory IGs in certain agencies including Treasury and Justice--the only two cabinet-level agencies without a statutory IG--and also in the Central Intelligence Agency (CIA), Office of Personnel Management (OPM), Federal Emergency Management Agency (FEMA), and the Nuclear Regulatory Commission (NRC). Based on our observations in other agencies with IGs, we believe that a statutory IG at each of these agencies would strengthen management control over program operations, provide a higher degree of independence to agency audits, ensure that the agency head and the Congress are informed of significant audit and investigative findings, and promote more efficient and effective operations of the agency and its programs.

We found weaknesses in the internal audit organization and operation at these agencies, which provides support for our view that they need statutory IGs. For example, at Treasury we found that there were five audit and investigative groups. The nonstatutory IG had audit and investigative responsibility for only 11 percent of Treasury's operating budget. The four law enforcement bureaus had their own internal audit and investigative staffs to audit the remaining 89 percent of Treasury's budget. In

addition, Treasury did not routinely inform the Congress about its audit and investigative activities.

At Justice, audit and internal investigation was fragmented among 15 separate audit and internal investigative units. We believe that, unlike statutory IGs, these units lacked organizational independence, and that this may have inhibited independent, objective assessments and reporting to the Attorney General and the Congress on department activities. In addition, no one person or office was responsible for coordinating audits and investigations.

We also believe a statutory IG would be appropriate at the CIA. Several recent revelations have brought into question existing mechanisms for providing control and oversight of covert government operations. Governmental powers appeared to be exercised without accountability to the Congress or the public. Establishing an IG at the CIA would contribute to improved accountability of that agency's operations and help assure the taxpayer that funds and programs are conducted within the parameters prescribed by law and regulation. We believe that a CIA IG could function effectively while giving appropriate consideration to national security.

Other agencies such as OPM, FEMA, and NRC have important missions and expend considerable funds annually. Our reviews have

United States General Accounting Office

GAO

Testimony

For Release
on Delivery
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**Ten-Year Perspective on
Federal Inspectors General**

Statement of
Frederick D. Wolf, Director
Accounting and Financial Management Division

Before the
Subcommittee on Legislation and National Security
Committee on Government Operations
House of Representatives

